

PROPOSED APPROACH TO DEVELOP CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AT KSO PERTAMINA DEPOT CIKAMPEK

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Abstract—Corporate race to do Corporate Social Responsibility (CSR) not only as marketing tools but also because Indonesian government has regulate it. In return, of corporate CSR, social legitimacy is established. CSR also can create corporate imaging in society; it will be good for company reputation in business world and can attract investors or other company who is willing to have partnerships. Pertamina Depot Cikampek is Pertamina depots manage by Pertamina Patra Niaga using Joint Operation (KSO) systems as a partner. Depot management has done some CSR programs, however community judges Depot management doing unsatisfying CSR program. Relation between Depot management with community and local administration are not go well. Research is done by doing observation, interviews and secondary data gathered from local administrations. From gathered data, it was found that communication between communities with the Depot is not running properly due to lack of a system to perform engagement. In addition, Depot management did not have planning for long term and sustain CSR program. Implementation begins from doing stakeholders analysis and mapping by doing stakeholders engagement. At the same time, CSR division should be establish and recruit its officers. After management can figure out community needs, they can start planning and preparation for CSR program. Lastly, implementation of program can be conducted.

Keywords: Pertamina Depot Cikampek, Corporate Social Responsibility, stakeholders engagement.

1. Introduction

PT. Patra Niaga was established on February 27, 1997 under the name PT. Elnusa Harapan. The Shareholders namely PT. Pertamina (Persero), established the Company as a new business entity pursuant to the Decree (SK) The Minister of Justice of Republic of Indonesia no. C2-4238.HT.01.01.TH.1997 with the aim of developing a subsidiary of PT. Elnusa who at that time was not worthy to be part of the plan of PT. Elnusa became a public company. Furthermore, PT. Pertamina repositioned the Company to develop business activities in downstream oil and gas industry Indonesia. Under Article 1 of Law No. 22 of 2001 concerning oil and gas, downstream sector includes processing, transportation, storage, and commercial oil and gas.

In accordance with the Extraordinary General Meeting dated January 19, 2004, the Company's name changed to "PT. Patra Niaga ". This change aims to assert the position of the Company's business in the area downstream and at the same time distinguish it definitively with sister-company, PT. Elnusa, which moves in the upstream oil and gas sector. To homogenize all subsidiaries under the Directorate of Marketing and Commerce Pertamina, on January 27, 2012 Patra Niaga logo change. This decision refers to the Annual General Meeting in 2011.

PERTAMINA is a State Owned oil & gas company (National Oil Company), established on December 10, 1957 under the name PT PERMINA. In 1961 the company changed its name to PN PERMINA and after the merger with PN PERTAMIN in 1968 it became PN PERTAMINA. With the enactment of Law 8 of 1971 the company became PERTAMINA. This name persisted until after PERTAMINA changed its legal status to PT PERTAMINA (PERSERO) on October 9, 2003. In accordance with the provisions of

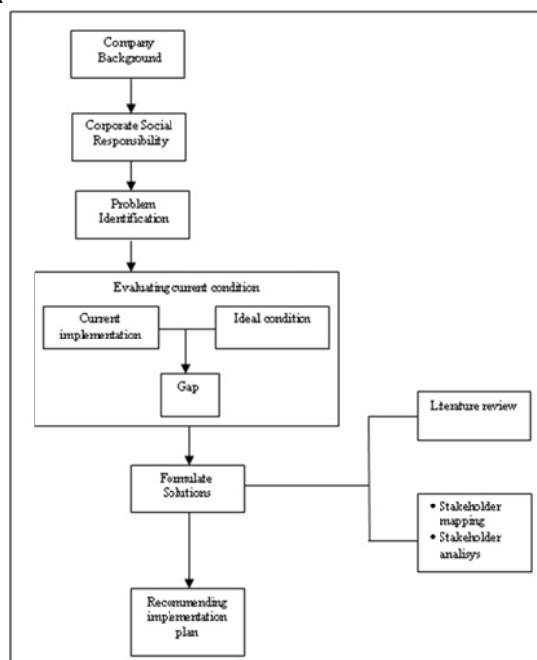
Law No. 22 of 2001, PERTAMINA was transformed into a Public Liability Company (Persero) designated PT. PERTAMINA (PERSERO) under Government Regulation No. 31 of 2003. This depot is the Joint Operation (Kerjasama Operasi/ KSO) between Pertamina and Patra Niaga. The entire operational and the system is done entirely by Patra Niaga, but still supervised by Pertamina. KSO aims to further improve the reliability, cost efficiency and operational effectiveness of Pertamina. This cooperation using contract system for five years and can be extended.

Depot is serves since 2006 is located in the village of West Dawuan, District Cikampek, Karawang regency, West Java Province. The depot is among the most advanced in comparison to the other depot. Depot uses advanced technology made in Canada, Britain and Germany, and fully automated. Automation systems at the depot operation are used to maintain the accuracy of fuel flow into and out of the depot. CSR is important for Pertamina Persero as they have a vision to become a world class company because CSR is one of valuation of their social performance. Pertamina surely must maintain their image as a good company. Patra Niaga as a subsidiary of Pertamina Persero also have responsibility to take care of their image which will also impacted to Pertamina as their parent company.

Results of CSR evaluation also will useful for participating in PROPER. PROPER is Program Penilaian Peringkat Kinerja Perusahaan (Corporate Performance Rating Program in Environmental Management). Currently Depot Cikampek gets Blue PROPER. They can improve it to Green PROPER by doing some of improvement including in their social performance. Depot has did some CSR programs. However, it raises new issue when management doing it. Community judges depot management that they are doing unsatisfying CSR program. In foodstuff distribution program for example, packages from Pertamina as owner of Depot Cikampek cannot meet the number of household around Depot. Village administration must unpack packages and repackage by divided into two packages. Relation between Depot management with community and local government are not go well. They have difficulty for contacting Depot management to discuss community matters such as donation for Independence Day celebration, asking help for make better irrigation system or even for peoples in Dawuan Barat can have jobs in Depot. Depot management have slow reaction to follow up this issue and even ignoring it.

2. Business Issue Exploration

A. Conceptual Framework



B. Theoretical Review

Theory used in this research is related to the implementation of Corporate Social Responsibility, which is sustainable development, CSR, tri-sectors partnership, stakeholder analysis and mapping.

C. Analysis of Business Situation

IFC Performance Standard (IFC PS) currently widely used by companies outside Indonesia, while in Indonesia itself is still not much use. IFC PS used as analyzing tools to see how good Depot conduct CSR programs are. Depot can adapt standards from IFC PS to analyze and evaluate their social performances.

IFC PS consists of guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

IFC PS consists of eight performance standards divided into several important aspects, namely:

1. Performance Standards 1: Assessment and Management of Environmental and Social Risks and Impacts
2. Performance Standards 2: Labor and Working Conditions
3. Performance Standard 3: Resource Efficiency and Pollution Prevention
4. Performance Standard 4: Community Health, Safety, and Security
5. Performance Standard 5: Land Acquisition and Involuntary Resettlement
6. Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Performance Standard 7: Indigenous Peoples
8. Performance Standard 8: Cultural Heritage

Business issues arise in aspects community so performance standard that are used for analyzing business issues is a Performance Standard 1. To find out things that need to be improved from the depot activities, the performance standard is used as a reference of the ideal conditions of a company.

From the comparison, it concluded that the Depot has not been carried out several activities that meet the performance standards of the IFC PS. Therefore, the Depot must make improvements on areas that are still not meet the standards. With the improvement, the problems that occur in Depot are expected to be resolved properly.

3. Business Solution Business

A. Dawuan Barat Condition

Karawang regency is an industrial area. There are many industrial estates and factories were established. The development of industrial estates in the area would cause some problems, especially social problems to the residents.

However, with the change in the area from agriculture into industrial area has diminishing land for agriculture. Land that is used as industrial estates, factories and housing. Young people are no longer interested in the job in the field, as it was considered not make a lot of money. And expectations of parents who send their children to a high level is another reason why factory work more attractive than work in the fields.

In an interview with the village headman and the residents, employment in factories is a top choice for locals. The first reason is because factories can always provide jobs and second jobs are no alternatives other than that. But the availability of jobs in factories cannot accommodate residents of West Dawuan who have low levels of education.

B. Problem Solution

1. Planning and preparations

Before doing CSR program there is few thing to has be done, that are:

- Setting CSR objective and principles

First step and base point for every activities is to set our activities objective and principle. By setting objectives and principles people who are involved with activity will have framework to do their job. Principle can be in form of set of vision and mision.

- Establishment of the organization

Company should make clear organizational lines and responsibility for CSR officer, to whom they must report, what are their authority and its limitation. CSR officer should not double his/her position with others; mean that he/ she are specialized personnel. It is to make the officer concentrated to his/her works and able to fully engage with community.

- Hire officer for CSR program

After the organization, established company should hire officer as soon as possible. Officer should have required qualification in the fields such as human resources, communication expert, psychology or other related disciplines. Officer should station in Depot, can be reached by villager and pro-active to visit resident in village.

- Budgeting

Funding collected both from Pertamina Persero as a owner of Depot and Patra Niaga as daily operator. Amount of allocated money depend on company capability based on government rules and regulations. Government regulation stating each company should set aside up to 2% from their net profit as a CSR program funding.

2. Community relations

Depot can use stakeholder engagement to communicate and reach community. Stakeholder engagement also can give feedbacks for Depot and developing mutual understanding. Stakeholder engagement used as business solutions because it will cover identifying and analyzing stakeholders as a social risk and impact. Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively.

Stakeholder engagement is an umbrella term encompassing a range of activities and interactions over the life of a project. These can be divided into eight components: Stakeholder Identification and Analysis, Information Disclosure, Stakeholder Consultation, Negotiation and Partnerships, Grievance Management, Stakeholder Involvement in Project Monitoring, Reporting to Stakeholders and Management Functions.

3. Community service

Depot can give aid to community regarding to ceremonial activity such as Independence Day's celebrations, village anniversary and other ceremonial that necessary. This action can increase Depot reputation in the eye of community and building trust between community and Depot. Other form is supporting resident for their education and religious activity. Scholarship is one of common assistance for kids in school age in CSR program. It shows company concern for supporting future generations educations and hope they can mold better future.

4. Community empowerment

Most villagers have a low level of education. Most villagers just graduated from elementary school. They cannot be accepted by most factories located around the village. On average, to work in factories located around the village, it takes at least have a high school diploma or equivalent, but there also has a junior high school or equivalent qualification. Therefore, to empower them to have an income is by creating small business opportunities.

There is a lot numbers of labor force in Dawuan Barat who do not have jobs. Therefore the potential for empowerment through small business is big enough. They need stimulus in the form of training and coaching so that they can have their own business.

It will also accompanied by establishment of microfinance institutions. *Koperasi* will become institution for community where they can become member and loan money for their venture. Establishment of *koperasi* should make community not too depend on Depot or other company around them.

4. Conclusions and Implementation Plan

Conclusion

CSR must do by company, as a part of moral responsibility not just uses it as marketing trick. CSR have different form, from just philanthropic, community relations, community services and community empowerment (development). CSR also can be used to accommodate communities around area of company's activities aspiration. To perform CSR properly, company should have a good relationship with stakeholders. From the research, Cikampek Depot engagement with stakeholders has not been doing well. Many problems that arise between Depot and stakeholders indicate mismanagement in conducting relations with stakeholders. Performing stakeholder analysis can help Depot have better understanding and identifying individual or group affected and have interest to Depot activity. After doing stakeholder analysis, Depot can create and executing better CSR programs.

1. Implementation plan

Implementation of suggestion and proposal in chapter three divided into three-year schemes. Long scheduling occurs because of long preparation step including establishment of CSR organization division which are Depot has not have it.

Implementation plan as can be seen in Table 4.1 below, divided into five-core activity, which are:

1. Planning and preparations

For first six months, time allocated for establishing organization and hire staff. As a new division, all requirement and taskforce handle by human resource division. It can be ad-hoc team consist people from other division such as finance and marketing which their interest are intersected.

As for stakeholders' analysis and mapping, it can start early before CSR division establish. Stakeholders mapping can use third party such as consultant and/or using data from PT.Pertamina Persero and other relevant organization. Ad-hoc team can handle this before transferring to newly breed CSR division.

After CSR division establish, stakeholders mapping can be finalized and start preparation for implementing CSR program.

2. Community relations

First stage of build relations with community are doing consultation with relevant informant such as public figure, local government, religious figure and educator to gain information regarding implementation of CSR program, what are community needs or problems and how urgent it should be resolve.

Negotiation and partnership are tentative activity that can be done anytime depend on problems and needs that occurs. Not all activity is negotiable and need partnership, but occasionally should be arrange to get feedback from community.

Grievance management and reporting should be done from the beginning as a media to inform community what's activities Depot do and gain feedback from community. It also media for community to raise their concern regarding all Depot's activities. Several tool and media can support grievance management system such as information board in local government office. Depot also can creating mailbox in several local government offices.

3. Community service

Scholarship should give to student directly by Depot officer alongside with people from local government or educator without any intermediary. This action preventing leaked fund in process. CSR officer can call student to local government office to take the money regularly.

SMP Terbuka will establish as soon as possible to facilitate kids who want to continue their education. As for *SMA Terbuka*, there need to evaluate yearly to see community passion for higher educations. If *SMA Terbuka* have a lot students, it is possible to build high school in Dawuan Barat as they not has not have it.

4. Community empowerment

Koperasi will be important part they will be institution that provides capital for SME in Dawuan Barat. Depot management will only guide community in the early stage as in next stage all operation in *koperasi* will handled by their members according to statue and rules. Entrepreneurship workshop and mechanic training will held twice a year or according to negotiation with community. SME development only held once a year because there are only three active SME in Dawuan Barat or it will be adjust by needed as maybe there are more develop SME because of entrepreneur workshop.

5. Evaluations and monitoring

Evaluation and monitoring are done regularly to maintain effectiveness and control activity. There will be weekly, monthly, quarterly and yearly evaluation and monitoring.

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